1 Less-Volatile ETF to Invest Through a Bear Market

Description

The U.S. markets slipped into correction territory on Monday in what was a nasty day of trade. With rates holding steady, though, it was clear that this market pullback has evolved into something broader. With the Fed ready to raise the bar on interest rates as many as five times this year, investors have the right to be a bit jittery if over half of their portfolios are allocated to high-multiple tech stocks. Undoubtedly, the Cathie Wood ARK stocks have gotten obliterated, with 2-5% drops becoming the norm.

Heck, some of the more speculative names in her ARK basket have been dealt double-digit percentage drops in any given week. There's no question that the amount of pain her investors are in is extraordinary. Though ARK did enrich many in 2020, a huge chunk of investors, mostly beginners who didn't sell or ended up chasing at highs, lost money. Whether or not such speculative tech stocks bounce back abruptly is anyone's guess. Some of the names down over 70% probably aren't coming back, and for those who no longer believe in a company's long-term thesis, money doesn't have to be made back where it was lost.

Bear market or not, there are opportunities out there

Indeed, diversification could have saved many beginners from a painful plunge over the past few quarters of concentrated selling in technology names. With **Bitcoin** and the broader crypto markets also rolling over, it's clear that there are few, if any, places to hide amid the latest market correction. With so much pessimism and fear in the markets right now over what seems to be a taper tantrum, similar to the one experienced back in 2018, it can pay dividends to stick with value and lower-beta securities.

That said, battered growth stocks are still worth nibbling for the young investor who's willing to hold for years at a time, with a plan to buy more on further weakness. While a move into bear market looks inevitable for the Nasdaq 100, which slipped around 15% at its low on Monday, I think that investors should take those "dot-com bubble burst 2.0" predictions with a fine grain of salt. Remember, much of the punishment has already been dealt out. Many speculative stocks are down over 70% from their highs, and they're still in free-fall mode!

Eventually, they will bottom. But until then, investors should look to invest cautiously rather than betting on a quick ricochet.

Keep it safe and simple

Consider **BMO Low Volatility Canadian Equity ETF** (TSX:ZLB), a one-stop-shop of low-beta, high-quality Canadian companies that can help you weather the storm. A majority of the names in the ETF are in the value category. Many sport rich, growing dividends are less likely to implode alongside the broader markets if we are due to fall into bear market territory at some point this year.

While the ZLB won't make you rich, as some of the speculative stocks will once they finally put in a bottom, I think they're a great "middle ground" investment to partially shield the effects of inflation and broader market volatility. So, bear market or not, investors should at least start thinking about nibbling on some names on the latest correction. You don't need to jump into the deep end, either. You can keep it simple and relatively safe, with ETFs like the ZLB.

Indeed, when the tides get rough, it can be tough to make all the moves you need to make. Emotions can inhibit your ability to hit that buy bottom. With the ZLB, though, it's somewhat easier, given you're getting broad exposure and less chop on the day to day.

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